THE FOREST INDUSTRY SNAPSHOT:

Ministry of Forests, Lands and Natural Resource Operations

June 2012

A Selection of Monthly Economic Statistics

BRITISH COLUMBIA

Points of interest:

New Tenures Promote Bioenergy Development

Regulatory changes were announced on June 26, 2012, by the Ministry of Forest, Lands and Natural Resource Operations, to provide access to logging slash and wood waste fibre needed by bioenergy producers and manufacturers of wood pellets and other bio-products.

Amendments to regulations under the *Forest Act*, the *Forest and Range Practices Act*, and the *Wildfire Act* will bring into effect a residual forestry licence to cut, as well as a fibre supply licence to cut, for wood biomass. These licences will enable smaller operators to acquire wood fibre and logging debris unwanted by primary harvesters, including smaller trees, branches, limbs and tops that are usually piled roadside or on logging sites (*source: MFLNRO*).

Exports to China Slow Down

The value of B.C. forest product exports to China in the first 5 months of 2012 was $1.29 billion, down 8.1% compared with the same period in 2011. China's share of B.C. forest product export value declined accordingly, from 33.6% in 2011 YTD to 31.1% in 2012 YTD.

Pulp was down 8.4% from 2011 YTD (pulp accounted for 55.9% of the total value of B.C. forest products exports to China in 2012 YTD), softwood lumber was down 8.9% from 2011 YTD (31.9% of the total value) and logs were down 8.2% from 2011 YTD (8.7% of the total value). The slowing down of China's economic growth was believed to be the main reason for the declines (*source: Statistics Canada*).

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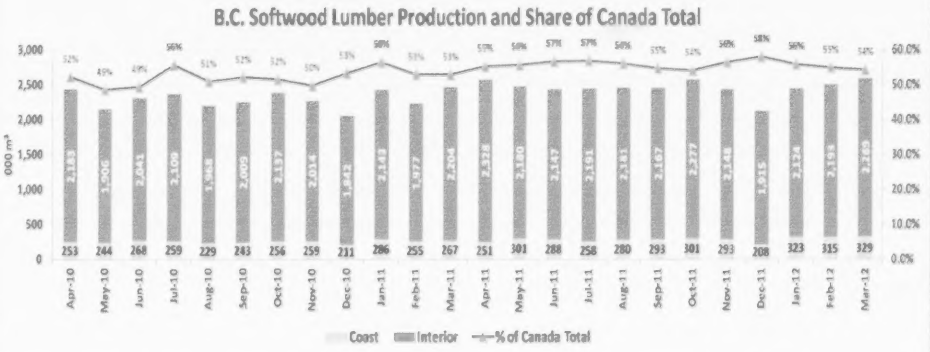
SOFTWOOD LUMBER MARKET



Data sources: Madison's, US Census Bureau and Statistics Canada. * privately-owned housing starts, seasonally adjusted annual rate.

- **U.S. privately-owned housing starts** in June were at a seasonally adjusted annual rate of 760,000. This is 6.9% above the revised May rate, and is 23.6% above the June 2011 rate. **Sales of new homes** in the U.S. were at a seasonally adjusted annual rate of 369,000 in May 2012, up 7.6% M/M and up 19.8% Y/Y. **U.S.** seasonally adjusted **unemployment rate** was 8.2% in June 2012, down from 9.1% one year ago. (*from U.S. Census Bureau and U.S. Bureau of Labour Statistics*).
- **SPF 2x4 price** declined slightly to US$303 ($311) in June 2012, down 0.8% M/M and up 31.1% Y/Y. The Canadian dollar dropped to $1.0281 per US$ in June 2012.
- In March 2012, **B.C. softwood lumber production** totalled 2.60 million m³, up 3.6% M/M and up 5.2% Y/Y. 87.3% of the production was from the Interior.
- In May 2012, **B.C. softwood lumber export value** totalled $359 million, up 6.6% Y/Y. **B.C. softwood lumber export volume** totalled 2.10 million m³, up 6.6% Y/Y. The top three destinations for softwood lumber exports in May 2012 were: U.S. (value: 47.6%; volume: 50.3%), China (value: 25.4%; volume: 31.2%), and Japan (value: 14.9%; volume: 9.7%).

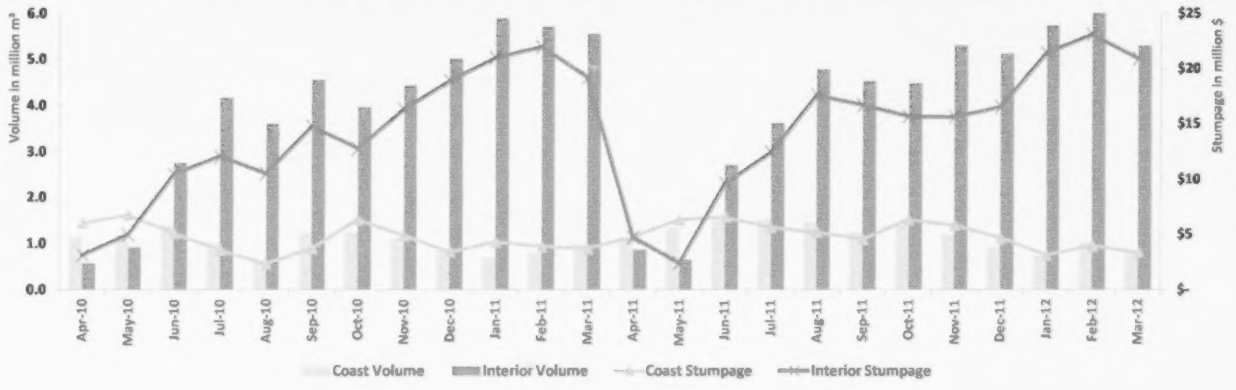
Common Abbreviations:

**$** Canadian dollars unless noted as US$
China - refers to China, including Hong Kong
M/M - % change from the previous to current month
Y/Y - % change from the same month in the previous year to the current year
YTD - year to date

The information in this report was compiled from a variety of sources by the MFLNRO Competitiveness and Innovation Branch. Data contained in this report is not intended to have any predictive capacity.

HARVESTING

B.C. Crown Land Monthly Harvest Volume* and Stumpage Revenue Collected



Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations

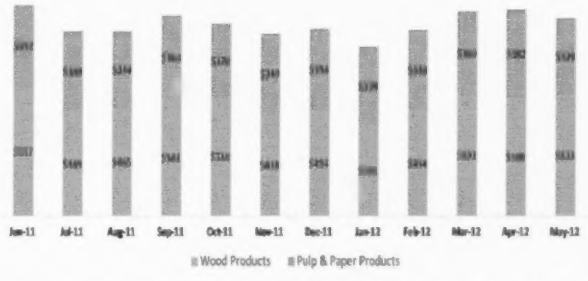
**Based on scale data, all logs (BCTS & Major tenures), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.*

COAST **harvest volume** for all land (including Crown, private and federal) totalled 1.22 million m³ in March 2012, down 17.1% Y/Y. Crown land harvest volume totalled 0.87 million m³, down 11.2% Y/Y. **Stumpage revenue** collected was $3.36 million in March 2012, down 10.0% Y/Y.

INTERIOR **harvest volume** for all land (including Crown, private and federal) totalled 5.40 million m³ in March 2012, down 3.9% Y/Y. Crown land harvest volume totalled 5.31 million m³, down 4.4% Y/Y. **Stumpage revenue** collected was $20.90 million in March 2012, up 8.8% Y/Y.

EXPORTS

B.C. Forest Product Export Value ($million) by Sector



Share of B.C. Forest Product Export Value

Source: Statistics Canada

B.C. forest product exports totalled $852 million in May 2012, down 4.3% M/M, down 6.9% Y/Y, and down 0.7% YTD from 2011:

- **Wood product exports** totalled $523 million in May, up 2.9% M/M, up 0.8% Y/Y, and up 3.0% YTD from 2011; and
- **Pulp & paper product exports** totalled $329 million in May, down 13.8% M/M, down 17.0% Y/Y, and down 5.4% YTD from 2011.
- **Export value shares by product** in May 2012: Softwood Lumber (42.1%), Logs (5.2%), Other Wood Products (14.1%), Pulp (27.3%), and Other Pulp & Paper Products (11.3%).

In May 2012, **U.S. was the largest destination market** for B.C. forest product exports value with a share of 45.0%, while China accounted for 28.7%, Japan accounted for 9.5% and other destinations accounted for 16.9%.

- **Exports to U.S.** totalled $383 million, up 4.8% M/M, up 22.6% Y/Y and up 9.7% YTD from 2011.
- **Exports to China** totalled $245 million, down 5.9% M/M, down 25.7% Y/Y and down 8.1% YTD from 2011.
- **Exports to Japan** totalled $81 million, down 33.3% M/M, down 21.4% Y/Y and down 1.3% YTD from 2011.

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DATA SUMMARY

Selected Monthly Economic Statistics - June 2012

	Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	Current YTD	Previous YTD	YTD/YTD* Change
Lumber Prices *(US$/000 bd ft)*									
SPF 2x4	*Jun 12*	**$303**	$305	-0.8%	$231	31.1%	$269	$289	-7.1%
Random Lengths Lumber Composite	*Jun 12*	**$332**	$338	-1.8%	$262	26.9%	$291	$292	-0.2%
SPF 2x10	*Jun 12*	**$371**	$357	3.8%	$257	44.2%	$310	$326	-4.8%
SPF Stud	*Jun 12*	**$353**	$353	0.1%	$259	36.4%	$275	$273	0.7%
Cedar 2x4	*Jun 12*	**$846**	$720	17.5%	$630	34.3%	$631	$647	-2.4%
Hemlock Squares	*May 12*	**$805**	$805	0.0%	$825	-2.4%	$814	$793	2.7%
Panel Prices *(US$/000 sq ft)*									
Plywood	*Jun 12*	**$403**	$371	8.7%	$295	36.7%	$331	$310	6.9%
OSB	*Jun 12*	**$252**	$229	10.2%	$199	26.8%	$207	$204	2.0%
Pulp & Paper Prices *(US$/tonne)*									
NBSK Pulp	*Jun 12*	**$835**	$853	-2.0%	$1,016	-17.8%	$837	$963	-13.2%
Newsprint (U.S. Eastcoast)	*Jun 12*	**$622**	$622	-0.1%	$624	-0.4%	$623	$627	-0.5%
$/US$ Exchange Rate	*Jun 12*	**1.0281**	1.0098	1.8%	0.9768	5.3%	0.9991	0.9791	2.0%
Housing Starts *(000 units)*									
U.S. (Seasonally Adjusted Annual Rates)	*Jun 12*	**760**	711	6.9%	615	23.6%	727	578	25.8%
Canada	*Jun 12*	**223**	217	2.4%	196	13.5%	219	185	18.4%
Japan (Wood-based)	*May 12*	**38**	37	2.9%	34	11.9%	182	174	4.3%
B.C. Timber Harvest Volume** *(000 m^3)*	*Mar 12*	**6,621**	7,620	-13.1%	7,090	-6.6%	21,186	21,134	0.2%
Coast Crown land	*Mar 12*	**873**	1,024	-14.7%	984	-11.2%	2,630	2,466	6.7%
Interior Crown land	*Mar 12*	**5,307**	6,011	-11.7%	5,553	-4.4%	17,054	17,152	-0.6%
Total private/federal land	*Mar 12*	**441**	586	-24.8%	554	-20.4%	1,501	1,516	-1.0%
B.C. Lumber Production *(000 m^3)*	*Mar 12*	**2,598**	2,508	3.6%	2,470	5.2%	7,553	7,131	5.9%
Coast	*Mar 12*	**329**	315	4.4%	267	23.4%	967	808	19.7%
Interior	*Mar 12*	**2,269**	2,193	3.5%	2,204	3.0%	6,586	6,323	4.2%
B.C. Market Pulp Shipments *(000 tonne)*	*May 12*	**334**	405	-17.5%	406	-17.7%	1,947	1,935	0.6%
B.C. Forest Product Manufacturing Sales *(million $)*	*May 12*	**$938**	$985	-4.7%	$918	2.2%	$4,442	$4,721	-5.9%
Wood Products	*May 12*	**$550**	$526	4.5%	$493	11.5%	$2,446	$2,486	-1.6%
Pulp & Paper Products	*May 12*	**$389**	$459	-15.3%	$425	-8.6%	$1,996	$2,235	-10.7%
B.C. Forest Product Export Value *(million $)*	*May 12*	**$852**	$891	-4.3%	$916	-6.9%	$4,158	$4,187	-0.7%
Log Exports	*May 12*	**$44**	$48	-8.5%	$49	-9.6%	$232	$235	-1.3%
Wood Products *(excl. log exports)*	*May 12*	**$479**	$461	4.0%	$471	1.9%	$2,167	$2,094	3.5%
Pulp & Paper products	*May 12*	**$329**	$382	-13.8%	$397	-17.0%	$1,758	$1,859	-5.4%
Shares of B.C. Forest Product Export Value *(%)*									
U.S.	*May 12*	**45.0%**	41.1%	9.5%	34.1%	31.8%	41.2%	37.3%	10.4%
China	*May 12*	**28.7%**	29.2%	-1.6%	36.0%	-20.1%	31.1%	33.6%	-7.4%
Japan	*May 12*	**9.5%**	13.6%	-30.3%	11.2%	-15.5%	11.1%	11.1%	-0.6%
Other	*May 12*	**16.9%**	16.2%	4.3%	18.7%	-9.9%	16.6%	17.9%	-7.4%
B.C. Stumpage *(million $)*	*Mar 12*	**$24.3**	$27.1	-10.5%	$22.9	5.8%	$76.0	$74.1	2.6%
Coast	*Mar 12*	**$3.4**	$4.0	-16.1%	$3.7	-10.0%	$10.5	$11.9	-11.8%
Interior	*Mar 12*	**$20.9**	$23.1	-9.5%	$19.2	8.8%	$65.4	$62.1	5.3%
B.C. Forest Sector Employment*** *(000 jobs)*	*Jun 12*	**60.6**	57.2	5.9%	53.7	12.8%	53.2	53.6	-0.7%
Forestry & Logging	*Jun 12*	**18.0**	20.3	-11.3%	17.0	5.9%	16.2	12.6	28.2%
Wood Products	*Jun 12*	**27.1**	24.7	9.7%	27.2	-0.4%	25.8	31.1	-17.1%
Paper Products	*Jun 12*	**15.5**	12.2	27.0%	9.5	63.2%	11.2	9.9	13.9%

* *based on calendar year, change % from the same year-to-date period of the previous. year to the year-to-date of current year.* ** *Preliminary data and subject to change.*
*** *based on Statistics Canada Labour Force Survey.*

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